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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting
Held at Headquarters, New York, on Tuesday, 13 March 2012, at 10 a.m.

President: Mr. Koterec. . . . . (Slovakia)

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The meeting was called to order at 10.10 a.m.

Coherence, coordination and cooperation in the context of financing for development (E/2012/7) (*continued*)

Thematic debate of the whole on Theme 1: "Promoting sustained, inclusive and equitable economic growth, job creation, productive investment and trade"

(a) *Presentation by Mr. Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs*

1. **Mr. Sundaram** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) said that fallacies of fiscal consolidation had impeded and continued to threaten robust and sustained recovery of the global economy. Efforts to boost investor confidence could be deceptive in such an economy; for example, slashing wages and cutting public investment would only depress demand and profitability. The harsh austerity measures implemented in parts of the world were adversely affecting economic recovery, long-term growth, employment prospects and social and political stability, ultimately discouraging investors. The United Nations report entitled *World Economic Situation and Prospects 2012* and the *Trade and Development Report 2011: Post-crisis Policy Challenges in the World Economy*, issued by the United Nations Conference on Trade and Development (UNCTAD), warned of the pitfalls of the severe austerity measures currently pursued by European countries. Both publications had argued for policy coherence among nations and major institutions of global economic governance and for coordinated actions and expansionary measures to ensure strong, sustained and inclusive recovery while laying the bases for sustainable development in the longer term. The International Monetary Fund (IMF), too, had reconsidered its advocacy of fiscal consolidation after the initial signs of economic recovery, in mid-2009, had been thwarted by premature austerity measures. Its Managing Director had recently warned European policymakers of the risk of a 1930s-style depression, a downward spiral that could engulf the entire world.

2. All the stakeholders had a responsibility to work together and to resist protectionism and xenophobia. A new "Marshall Plan" should be formulated in order to respond to the challenges of sustainable development, economic development, social progress and environmental sustainability. That did not, however, eliminate the need for countries to address long-term structural issues by improving their tax administrations and reforming their tax structures in order to enhance their fiscal and policy space; without strengthened revenue, they could not finance the social protection floors to which they were committed. The Greek and Italian crises were a reminder that the problem did not concern only developing countries or economies in transition; at a minimum, the stakeholders present at the special meeting should enhance international cooperation not only on tax matters, but also with Governments in order to strengthen their tax revenue collection capacities.

3. In the short run, Governments should boost domestic demand by investing in infrastructure, renewable energy, food production, health, education and social protection, all of which would enhance long-term productive capacity. In his book, *New Structural Economics: a framework for rethinking development*, Justin Yifu Lin, Chief Economist and Senior Vice-President of the World Bank, had pointed out that the availability of cheap credit before the crisis had resulted in over-investment in the most commercially profitable and attractive sectors. Although such measures had kept interest rates low, they had been unable to ensure a strong, sustained and inclusive recovery. Investments should also target needs that were not well reflected in market prices; for instance, higher food and energy prices would result in increased hunger and energy poverty. Contrary to the assumptions of the failed Washington Consensus, appropriate public investment would induce, rather than crowding out, the private investment needed for employment creation and sustained, inclusive and equitable recovery.

4. A universal social protection floor could enhance the shared understanding underpinning trust between the governed and their Governments. Because even the best design could not anticipate all subsequent developments, reforms might be necessary in many cases. That did not mean that the entire system, and especially its hard-won gains, should be dismantled; rather, reform should enhance resilience in the face of growing economic insecurity and vulnerability.

5. Trust between workers and employers was also critical. A race to the bottom through drastic erosion of

real wages and labour standards would not boost international competitiveness; it would merely increase insecurity and trap the economy in a vicious circle of lowered productivity, wages and growth. Trade offered an opportunity for growth through exports, but all countries could not increase their exports at the same time. In order to reap the benefits of trade, growth in productivity was also required, and that in turn depended on investment in infrastructure, education, skills, science and technology. A universal social protection floor would help to socialize wealth income and promote harmonious industrial relations and cooperation.

6. The developing and, especially, the least developed countries needed assistance in improving their productive capacity and access to markets. In recent decades, they had been required to become more export-oriented; the World Trade Organization (WTO) had played a crucial role by warning of creeping protectionist tendencies that could further undermine trust and the prospects for international cooperation. The crisis had given rise to an unprecedented consensus that could be give rise to a spirit of sustained cooperation; productive job creation and robust, equitable and inclusive growth could be achieved through a new social compact that would rebuild trust and cooperation within and among nations.

(b) Presentation by Mr. Shishir Priyadarshi, Director, Trade and Development Division, World Trade Organization

7. **Mr. Priyadarshi** (Director, Trade and Development Division, World Trade Organization) recalled that the 2011 report of the Millennium Development Goals Gap Task Force on Millennium Development Goal (MDG) 8, entitled “The Global Partnership for Development: Time to Deliver”, praised the multilateral trading system for helping to restrain protectionism during the economic and financial crisis. It stressed that any “early harvest” in the Doha Development Round should include duty-free, quota-free market access for the least developed countries and highlighted the role of Aid for Trade in supporting supply-side capacity and the need to boost the incomes, productivity and market access of farmers in developing countries, not least by reducing farm subsidies in developed countries. Those issues, which would remain a part of the global development agenda, needed to be linked to the emerging themes of sustainability and equity. In particular, there was a need for a new agenda that linked growth to environmental sustainability through agreements establishing new global rules and partnerships on trade, climate change, food security and natural resources. The multilateral trading system should consider ways to reduce the remaining barriers to trade by keeping markets open; promoting food and energy security; fostering a development partnership with equitable and sustainable trading rules; monitoring protectionism and strengthening the relevant regulations; and building trade capacity and trade-related infrastructure through enhanced and targeted Aid for Trade and technical assistance. The United Nations system was working to identify the developmental challenges of the coming years in order to formulate a United Nations development agenda beyond 2015.

8. Any development agenda should include sustained and sustainable growth as a central pillar; economic growth had been one of the main forces underlying the reduction of poverty in the least developed countries. Several large emerging economies, as well as low-income countries, had harnessed growth achieved through increased trade and foreign investment in order to fund health and education programmes and promote the availability of drinking water, sustainable rural development, human rights and gender empowerment. The WTO member States considered that any development agenda that claimed to be people-focused and to reflect reality should include a strong focus on the economic aspect of human development and that, in order to ensure global ownership, its poverty alleviation strategy must have a strong economic rationale. The globally accepted indicators for measuring progress in addressing multidimensional poverty and related challenges should include the developing countries’ share in global and regional trade. The rate of change of a country’s share in non-mineral trade could indicate the extent to which it was gaining a foothold in global markets and the measurement of trade should focus on value added rather than on gross flows, as was currently the case.

9. The landscape of international trade had changed considerably over the past 30 years. Successive rounds of trade liberalization, progress in information technology and more rapid movement of goods, capital and other factors of production had led to a more

pronounced flow of intermediate goods through global value chains. Most countries had both upstream and downstream linkages with production centres in other countries, a fact that should provide an incentive for more open markets. Countries would increasingly have to consider regulatory mechanisms such as those in place for intellectual property. Thus, trade policy would no longer be the sole prerogative of trade and commerce ministries; trade would be understood as a multidimensional, multifaceted and cross-cutting tool for economic growth.

10. WTO had much to contribute to that process as its membership was becoming increasingly universal, but it could not work in isolation and must continue to cooperate with other international organizations. Ultimately, however, Governments should set their own priorities, in consultation with the private sector, civil society and other stakeholders while mainstreaming trade-led economic growth into their development strategies.

(c) Presentation by Mr. Rob Vos, Director, Development Policy and Analysis Division, Department of Economic and Social Affairs

11. **Mr. Vos** (Director, Development Policy and Analysis Division, Department of Economic and Social Affairs), accompanying his statement with a digital slide presentation, said that in order to solve the world's broader economic problems, it was essential first to address the problem of employment. Despite positive signals from some major economies, global economic prospects had not improved; growth in emerging economies had slowed and the risk of a double-dip recession remained high. The sovereign debt crisis, fragility in the banking sector, weak demand, persistent high unemployment and lack of investor confidence were being met with pro-cyclical fiscal responses. The resulting job crisis could precipitate another recession, and fiscal austerity combined with expansive monetary policy would only compound that vicious cycle.

12. Reinvigorating the global recovery in a balanced and sustainable manner posed considerable challenges. In most developed economies, there were no solutions that could swiftly win over political support and growth had been too slow to cover the increasing cost of health care and pensions for ageing populations. The developing countries needed to protect themselves against volatile commodity prices and external financing conditions and often responded through more restrictive macroeconomic policies and reserve accumulation, thereby contributing further to the lack of global aggregate demand. A more opportune response would be to step up investment in order to sustain higher growth and poverty reduction.

13. In 2011, the average unemployment rate in developed countries had been 8.6 per cent, well above the 2007 level of 5.8 per cent. The employment rate was now rising but was not expected to reach pre-crisis levels or absorb new labour entrants before 2016 at the earliest. Long-term and youth unemployment were increasing, particularly in developed countries; developing countries had experienced a rise in vulnerable employment and informal sector jobs that tended to erode average incomes; and the skill mismatches in the labour market were striking.

14. In order to respond to those problems, it was important to promote short-term stimulus and avoid premature fiscal austerity; in most developed countries, the cost of borrowing was not so high as to preclude such measures. At the global level, more policy coordination was needed and the focus should be on fiscal incentives for job creation; investment in infrastructure, including renewable energy, sustainable agriculture and economic diversification; and enhanced market access and adequate development finance for low-income countries.

15. A policy simulation for the United Nations Global Policy Model formulated by the Development Policy and Analysis Division, Department of Economic and Social Affairs, showed that those actions were feasible. That scenario envisaged a stronger role for fiscal policies in the short term, greater opportunities to stimulate employment generation, and investment in renewable energy and sustainable growth. It would allow spending to increase in most major economies, provided that the gradual reduction in the ratio of public debt to gross domestic product (GDP) was not inhibited. The model assumed that there would be a degree of fiscal coordination with stronger fiscal influence in countries with greater fiscal space; that effective debt work-out mechanisms and safety nets would be in place in order to contain the abnormal rise in interest rates for sovereign debt; that the promotion of short-term employment would restore investor confidence; that emerging developing countries would, to the extent possible, apply additional fiscal stimulus; that such stimulus would be used to strengthen

investment in infrastructure and sustainable productive capacity; that conditions would be in place to ensure greater access to developed markets; and that official development assistance (ODA) and other external financing would be available to cover any initial deficits.

16. Under those conditions, the global economy would return to an overall growth rate of around 4 per cent per year with growth rates of at least 1 to 2 per cent in developed and developing countries alike; employment rates would rise across the board, reaching pre-crisis levels within a few years; current account balances would gradually be reduced because the countries with a surplus would provide stimulus, which would in turn promote private investment; and investment in energy efficiency would result in the stabilization of energy and food prices at a comparatively low level in the medium term. Thus, a win-win solution could be reached; however, that outcome would require more forceful coordination than had been shown by the Group of Twenty to date.

Interactive dialogue

17. **Mr. Oussein** (Comoros) said that, although the devastating financial crisis had been caused by banks, many Governments had responded to it with protectionist measures and restrictive policies that saw immigration as a problem rather than a solution. He asked the panellists to comment on the idea that central banks should lend directly to Governments in order to alleviate the crisis.

18. **Ms. Ratsifandrihamanana** (Food and Agriculture Organization of the United Nations) said that because agricultural growth had a strong potential for poverty reduction, it was increasingly important to provide better wages and self-employment opportunities in rural areas, improve rural-urban linkages and increase the focus on and investment in rural youth. The bulk of the rural poor were agricultural labourers in developing countries who earned low wages in a sector with a strong seasonal component. Rural women faced additional challenges, such as limited access to education, assets and labour markets, and were often unpaid family workers in vulnerable conditions. Strategies should be elaborated in order to enhance agricultural productivity and attract and improve rural employment opportunities.

19. The Food and Agriculture Organization of the United Nations (FAO) had launched a successful programme, the Junior Farmer Field and Life Schools, which was based on cooperation between Member States and a range of United Nations entities and was now operational in 16 countries.

20. **Mr. Nour** (Director, United Nations Regional Commissions New York Office) said that the Latin American and Caribbean economies faced two main challenges: structural heterogeneity with large gaps in productivity between sectors, and a sizeable informal sector that lacked access to social protection. In the Asia-Pacific region, high GDP growth had not been matched by the increased household consumption rates that were necessary in order to make that growth inclusive and sustainable. In Africa, enormous economic growth had taken place before 2008 and while the continent was recovering from the economic and financial crisis, employment rates remained low. In the Arab region, where youth unemployment was also very high, the Arab Spring had provided an opportunity for a new development model that expanded the policy-making space to reconnect the economic with the social and political spheres. It would be useful to leverage regional efforts and formulate policies that were better tailored to specific regions.

21. **Mr. Huber** (Executive Director for Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, the Slovak Republic, Slovenia and Turkey, World Bank) stressed the importance of the financial sector for sustainability and employment. The initial benefits of financial globalization, which was characterized by huge daily transfers on speculative instruments, had increased vulnerabilities in the developing world since the beginning of the economic and financial crisis. The resulting insecurity had made banks reluctant to lend to the real sector, a situation that had implications for development, job creation and investment in even more sectors, such as renewable energy. The multilateral institutions had not fully analysed that situation in order to make recommendations and he encouraged the panellists to comment on the issue.

22. Equitable development should indeed be at the centre of global efforts, but global trade was not enough; it was important to build internal markets and foster domestic demand. The panellists at the special meeting had tended to take an overly traditional approach; what was needed was an all-inclusive vision

of the problem in the form of an analysis that was both sharper and more wide-ranging and encompassed not only wages, but also income and asset distribution and tax systems.

23. While sharing the panellists' concerns, he believed that some degree of fiscal austerity was appropriate in the European context. The countries of the European Union still had the highest levels of government spending in the world, which acted as a permanent fiscal stimulus but also created inefficiencies. The World Bank report entitled *Golden Growth: Restoring the Lustre of the European Economic Model*, issued in January 2012, showed that the current economic system in the European Union had genuinely helped to transfer wealth from the richer to the poorer; the challenge was how to apply austerity measures while preserving the strengths of the system, remedying its inefficiencies and addressing the problem of an ageing population.

24. The role of trade liberalization had rightly been recognized, but there could be no one-size-fits-all approach. Rather of being encouraged to pursue total liberalization, countries should be advised to find their own ways of fostering trade.

25. **Mr. Rahman** (Bangladesh) said that in 1978, when the United States of America had adopted the Full Employment and Balanced Growth Act, a 3 per cent unemployment rate, based on the link between inflation and unemployment as formulated in Okun's law, had been taken as the optimum level. Since then, there had been significant demographic and technological changes; in the United States of America and most other developed countries, the population had aged and the proportion of young people entering the labour market had declined steadily. Much of the growth in output and productivity had come from technological progress; thus, output had remained constant as the employment rate fell and consumption declined, particularly in Japan. The United States had coped with the problem for a time by providing cheaper credit, but that solution had proved unsustainable. He wondered whether there had been any attempt to reevaluate the definition of an optimum level of unemployment and whether the demographic and technological differences between developed and developing countries were being taken into account.

26. The industrialized countries' trade policies continued to distort the global market, and quotas and duty restrictions imposed by developed countries resulted in a reallocation of resources to different production industries. In Bangladesh, for example, ready-made garments and other textiles accounted for over 70 per cent of exports and the highest proportion of the labour force, leaving the country vulnerable to any policy change affecting the access of textiles to developed markets. It followed that duty-free, quota-free access was needed across the range of sectors, not merely those that suited the developed countries. Any changes in tariffs would result in industrial restructuring and unless the developing countries contributed financially to that process, the existing industries would resist such policy changes.

27. The situation with regard to resource flows gave cause for scepticism; the changes discussed at a normative level were essential, but the developed countries' commitment to allocating 0.7 per cent of GDP to ODA had yet to materialize. If those funds were not forthcoming, normative policies could not be translated into reality. It was also worth noting that in the December 2010 sixteenth replenishment of International Development Association (IDA) funds, the proportion contributed by developing countries had risen markedly.

28. There remained a gap between normative policy thinking and realities on the ground. Concepts such as transparency, mutual accountability and results-oriented assistance provided a sound normative structure but at the operational level, resource flows were hindered by various conditionalities. Most recently, several new dimensions of governance been introduced without taking into account differing opinions or institutional capacity. He therefore believed that the Council and major financial institutions should closely examine the workings of the normative framework, assess the extent to which it was reflected on the ground and find ways to remove the obstacles. With adequate funding, many of the desired objectives could be achieved; otherwise, much of what had been discussed would remain at the theoretical level.

29. **Ms. Kantrow** (International Chamber of Commerce) said that it was imperative to recognize that ODA from Governments and multilateral organizations was no longer the primary driver of economic growth in developing countries. In the 1960s, ODA had accounted for 70 per cent of capital flows towards the developing world; however, owing

to private-sector growth, increased trade, domestic resources, remittances and other capital flows, that figure was now only 13 per cent despite growing development budgets.

30. In order to harness the benefits of private-sector investment for development, Governments and development agencies needed to work more directly with the private sector in order to identify investment impediments and remedies, enhance Governments' ability to create business-enabling environments and develop small and medium-sized enterprises.

31. Developing countries should encourage domestic savings and investment, provide reliable government data on market conditions, promote domestic stock exchanges and bond markets, and implement sound information disclosure practices and clear, efficient regulatory frameworks. They should also invest in transport infrastructure and communications technology in order to connect regional and international markets, supply chains and value chains. By improving training in science, technology, engineering, mathematics and vocational skills in partnership with the private sector, developing countries could create a well-educated and competitive workforce.

32. While the main responsibility for those initiatives lay with Governments, a concerted effort involving all stakeholders would be required. She therefore encouraged the United Nations, other intergovernmental organizations and national Governments to engage constructively with the business sector and to include business representatives in their discussions. The financing-for-development follow-up process was in many respects positive, but it could be improved through decentralized, results-oriented technical exchanges that included public and private sector experts.

33. **Mr. O'Neil** (Marianists International, accredited through Passionists International), said that it was urgent to address the problem of external debt. Welcoming the May 2011 UNCTAD Principles of Responsible Borrowing and Lending, which the Secretary-General had also mentioned in his note on coherence, coordination and cooperation in the context of financing for development (E/2012/7), he said that the approach to sovereign debt restructuring must be more balanced, with a more equitable distribution of the burden between borrowers and private sector creditors. In order to give an equal voice to borrowers and lenders, Marianists International supported the establishment, under the auspices of the United Nations rather than the Bretton Woods institutions, of a fair and transparent debt arbitration mechanism along the lines of the transparent arbitration mechanism proposed by the African Forum and Network on Debt and Development (AFRODAD) or the international debt court proposed by the Defuse the Debt campaign.

34. Recalling that the report of the Secretary-General of UNCTAD to the thirteenth session of the Conference (UNCTAD XIII) (UNCTAD (XIII)/1), to be held in Doha in April 2012, called for a reduction in the policy conditionalities attached to crisis lending and for the international financial institutions to examine available policy options, he said that more condition-free loans would give the borrowing countries greater policy space in which to launch sustainable recovery initiatives and pursue national development agendas. In addition, the $1.6 billion in windfall profits from IMF gold sales that remained after $1.1 billion of those profits had been used to strengthen the concessional lending capacity of the Poverty Reduction and Growth Trust should be allocated to the benefit of those left most vulnerable by the current international financial system.

35. Turning to the distinction between fair trade and free trade, he said that, as the report of the UNCTAD Secretary-General of UNCTAD pointed out, developing countries required not just a rules-based global trading system, but the means to bring about capital formation and economic diversification and the ability to manage the adjustments involved by making their own policy choices. Protectionism was not universally negative since it could ensure the continued operation of domestic markets. Special and differential treatment for developing countries' exports should be expanded, for example, in the form of duty-free and quota-free market access as urged at the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul in May 2011. He agreed with the representative of Bangladesh that such access should be provided for all goods from least developed countries.

36. On the basis of its grassroots work in some 38 countries, Marianists International believed that a distinction should be drawn between development and the means to achieve it. As the report of the Secretary-General of UNCTAD confirmed, most people,

regardless of their location, wanted the same things: a decent job, a secure home, a safe environment, a better future for their children and the right to determine how to pursue those aims. Because there was no universal blueprint for development policy, the people affected must have input into that policy.

37. **Mr. Sergeev** (Belarus), speaking on the issue of trade and protectionism, said that Belarus, which had had positive experience of targeted regional trade arrangements, believed in a trade policy free of restrictions and unilateral economic sanctions. He was encouraged by the intention of WTO to move from monitoring protectionism to establishing binding rules and wondered what improvements were expected from that change in focus and what the timeline for its adoption would be.

38. With regard to financing for development, he supported the views of the representative of Bangladesh and believed that ODA remained a relevant development tool, particularly for vulnerable and middle-income countries.

39. **Mr. Takamura** (Alternate Executive Director for Japan, World Bank) said that the informal, interactive tone of the special meeting fostered inter-agency cooperation and should be encouraged in the future. He agreed with the Assistant Secretary-General for Economic Development that investment in long-term capital, particularly infrastructure, energy and human skills, was needed. In that connection, it would be useful to examine the role of industrial policy in increasing economic competitiveness. The establishment of targeted economic policies for particular sectors was praised by some and condemned by others. In light of the conclusions drawn by Justin Yifu Lin in his book, *New Structural Economics: a framework for rethinking development*, he wondered whether the panellists thought that Governments had as much capacity as markets to stimulate industry, transform economic structures and restore growth.

40. The Director of the Development Policy and Analysis Division of the Department of Economic and Social Affairs had spoken of the need to promote short-term stimulus, avoid premature fiscal austerity and leave sufficient fiscal space to accommodate any future crisis. He sought the panellists' views as to whether the current crisis warranted depleting all available fiscal space or whether it was imperative to leave some room for manoeuvre to cope with any future crisis. Perhaps a balance must be struck since past cycles placed economies on a path towards unsustainable debt.

41. The representative of Bangladesh had referred to the December 2010 sixteenth replenishment of IDA funds, in which the proportion of contributions by developing countries had risen. In his view, that pattern was a reflection of a dynamic change in the global economy and a welcome increase in developing countries' income, without which poverty eradication could not succeed.

42. **Ms. Viale** (International Labour Organization) said that the global employment outlook was worrying; of the 197 million people unemployed in 2011, 75 million were under 24 years of age. For those reasons, the International Labour Organization (ILO), in cooperation with its national and multilateral partners, had developed a policy to promote decent work within an integrated framework that included financial, monetary, social and development planning; the Global Jobs Pact envisaged support for sustainable enterprise, job creation, adequate social protection, improved public services and the facilitation of labour market transition through skills, training and education.

43. The Pact, adopted in June 2009, had been endorsed by the Council, the Group of Twenty and many regional and national bodies and remained relevant in the current situation, which required steps to bring about economic recovery and counter the threat of a new recession; it was regarded by ILO as the translation into action of its Decent Work Agenda, under which Decent Work Country Programmes were being implemented for some 70 States. ILO looked forward to further cooperation with all of its partners and to the Council's July 2012 Annual Ministerial Review, which would focus on "Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the [Millennium Development Goals]".

44. **Mr. Vasiliev** (Russian Federation) said that the advance documentation for the special meeting, which covered a wide range of interconnected issues — including trade and fiscal policies, agricultural development and the debt crisis — was extremely useful. With the Annual Ministerial Review on the horizon, he wished to focus on the issues of employment and decent work.

45. The primary source of new jobs was direct investment, including State investment. A key role was played by large-scale public infrastructure projects; however, the private sector tended to avoid such investments because of the individual risks attached to them. The primary role of the State was to create a favourable climate for investment and to attract private capital. Structural change in the economy and employment required a comprehensive approach: investing in human capital, improving the motivation of the workforce, accelerating entrepreneurial activity and increasing access to finance and infrastructure.

46. Economic dynamism, innovation and modernization were important not for their own sake, but because they provided new opportunities for individuals to improve their wellbeing and skills while avoiding excessive risk, thereby raising their own standard of living and that of their families. There was a need for a new working environment suited to contemporary needs, as provided for in the ILO understanding of decent work and the Global Jobs Pact. To that end, the Russian Federation would host a high-level conference on decent work, to be held in Moscow in December 2012.

47. Unfortunately, the pursuit of economic efficiency and the interests of States often failed to coincide with social development needs. Given that the General Assembly must formulate a United Nations development agenda beyond 2015, he wondered how best to reconcile the interests of the State, the business community and employees.

48. **Mr. Busuttil** (Observer for the European Union) said that open trade made a significant contribution to economic growth and development. He recalled the emphasis that the Director of the WTO Trade and Development Division had placed, during the previous day's discussions, on the need to balance trade-related rights and commitments and to resolve questions related to the principle of "common but differentiated responsibilities" with a view to an early conclusion to the Doha Round of multilateral trade negotiations. He wondered whether the panellists had further views on those matters in light of the present meeting's discussion of sustainable growth and engagement with the United Nations Conference on Sustainable Development (Rio+20).

49. **Ms. Smaila** (Nigeria) said that the current global financial and economic crisis had been set apart from previous periods of economic disruption by its speed, magnitude, spread and simultaneous impact on many countries. As a result, international and multilateral action was vital.

50. Trade between Africa and the rest of the world must be promoted in order to enable the economies of the continent to achieve greater growth, reduce unemployment and poverty and achieve the Millennium Development Goals (MDGs) by 2015. As a prerequisite for such trade, the African countries needed to develop a stronger productive base through efficient allocation of resources; resolution of the incessant conflicts hindering the free flow of labour, goods and services; guarantees of security; and provision of a functioning and efficient infrastructure network.

51. Significant progress had been made at the global policy level through the integration of employment and decent work into Goal 1 of the MDGs ("Eradicate extreme poverty and hunger"); the incorporation of decent work as a theme of the Second United Nations Decade for the Eradication of Poverty (2008-2017); the Global Jobs Pact and the Social Protection Floor Initiative; and the emphasis on job-intensive recovery and sustainable development in the 2010 High-Level Plenary Meeting of the General Assembly on the Millennium Development Goals. In the wake of the global crisis, there had been a welcome shift to a more pragmatic approach and closer system-wide collaboration on the basis of the Goals, the "Delivering as one" initiative, the United Nations Chief Executives Board for Coordination Joint Crisis Initiatives, and the action taken by the Group of Twenty.

52. Developing countries needed sound macroeconomic policies. In order to ensure economic stability and promote job creation and sustainable growth, fiscal and monetary policy must be flexible, public finances must be more efficient and social safety nets must be put in place to mitigate the effects of unemployment. The multilateral institutions should send a clear message about the role of the private sector; although business alone could not eradicate poverty, it played a key role by creating sustainable jobs.

53. The developed countries should increase their bilateral and multilateral ODA in order to meet the commitments made and targets set in, inter alia, the Millennium Declaration, the Monterrey Consensus on

Financing for Development, the 2005 World Summit Outcome document, the Gleneagles Communiqué and the Doha Declaration on Financing for Development. Greater, predictable and sustainable ODA flows were essential to enable developing countries, and particularly the inherently vulnerable least developed countries and small island developing States, to meet existing, new and emerging challenges.

54. She urged the developed countries to act on the developing countries' repeated calls for a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that would contribute to growth, development and employment generation. Market-distorting agricultural subsidies should be removed in order to give developing countries better market access, and intellectual property rules should be reformed in order to remove undue obstacles to their access to new technologies and products.

55. The developing countries had long called for a genuine reform of the international financial architecture in which institutions could play their roles more efficiently and effectively and with greater transparency and accountability in order to support developing countries' pursuit of sustained, inclusive and equitable economic growth, sustainable development and the eradication of hunger and poverty. Reform should also improve the regional financial institutions' capacity to deliver and there should be coherent mobilization of all sources of financing for development.

56. Her delegation wondered how a strengthened bilateral and multilateral international surveillance system could be developed in order to ensure that the world was not once again taken unawares and plunged into serious crisis, and how the integrity of global data on unemployment could be ensured.

57. **Mr. Kang** Yong Koo (Republic of Korea) said that many previous speakers had rightly pointed out that achievement of the MDGs was under threat from the adverse impact of the recent global economic downturn. That situation highlighted the need for sustained, inclusive and equitable economic growth contributing to job creation. His delegation had strongly supported continued debate on the issue, including in the context of General Assembly resolution 65/10 on sustained, inclusive and equitable economic growth for poverty eradication and achievement of the Millennium Development Goals.

58. In order to generate economic growth at all levels, there was a need for global coordination of macroeconomic, financial, trade and ODA policy. Methods of improving financial inclusion should be explored in order to promote the involvement of low-income countries, small and medium-sized enterprises and those who lacked access to basic financial services. An effective mechanism for linking mobilized financial resources to tangible development results should be established. Consequently, his delegation supported the recommendations made by the Global Partnership for Financial Inclusion at the November 2011 Cannes Summit of the Group of Twenty and welcomed the prospect of further discussion of financial inclusion at the Group's upcoming Summit in Los Cabos.

59. Turning to the presentations of the panellists, he wondered how best to stimulate the domestic economy and domestic demand in a deteriorating international trade climate. His own country was heavily reliant on such trade and his delegation, aware of the associated risks and advantages, acknowledged that downturns often made the domestic economy and job market very unstable.

60. **Mr. Golding** (PricewaterhouseCoopers, accredited through the Business Council of the United Nations) said that the private sector was large, complex and diverse and had enormous, even dominant, influence, but its voice at the special meeting was small compared to that of Member States, United Nations agencies and civil society. If it was to be involved in a meaningful and effective way, a wide range of its constituent industries should be actively engaged before, during and after such events. Furthermore, unless Governments, international organizations and other participants changed their modes of interaction to reflect new technology and twenty-first century methods, the same issues would be discussed with the same institutions for years to come.

61. Each year, at the World Economic Forum in Davos, Pricewaterhouse Coopers (PwC) conducted a survey of Chief Executive Officers. The most recent survey, the fifteenth of its kind, had drawn on the views of 1,200 global industry leaders and 25 Governments and public sector leaders and provided a backdrop of harsh reality for the current debate.

62. Fiscal austerity and debt reduction measures would make the years ahead very difficult for indebted States, particularly the members of the Group of

Twenty. Other States, including some of the developing nations, were in a more robust economic position but must cope with the effects of foreign crises on their domestic markets. The aim of the annual survey was to establish the appropriate public-sector policy response to the challenging conditions facing business in order for the private sector to have the desired positive effect; it was clear that neither Governments nor businesses could continue to act as they had in the past.

63. The priorities for Governments were to deal with fiscal deficits and generate growth. The Group of Twenty economies must take urgent action to reduce public-sector debt; having suffered the consequences of “bad growth”, they must focus on “good growth” by generating both jobs and tax revenues and must rebuild trust and confidence in public institutions. Other, less affected, Governments must take care to maintain fiscal discipline and cope with the impact of rapid growth on inflation. All Governments must maximize value for money for taxpayers, whether or not spending was being reduced, while improving the quality of services provided.

64. Accountability and transparency were critical to the transformation of public services. Financial reporting on a more consistent basis, such as that provided by the International Public Sector Accounting Standards, and more comprehensive consolidation of liabilities, particularly debts at all levels of Government, would be needed. Such reforms would promote stability in the capital markets by making government financial statements more reliable and restoring trust and confidence in Governments’ ability to manage fiscal balances. Economic prospects would not improve if, instead of over-leveraged banks, the world had over-leveraged Governments.

65. The private sector drove job creation. The establishment of local, regional or global markets as the first, vital, step in that process occurred through natural resources, fair, robust and incentivized Government regulation, or a combination of those factors. The resulting jobs created consumers who should logically generate tax revenue that, in turn, should lead to new or better public services. That “virtuous circle” must be accelerated; the importance of generating tax revenue could not be overstated in light of the important conclusions regarding the link between taxation and development drawn at the 2011 Busan Forum on Aid Effectiveness.

66. The 30-some United Nations agencies and the Bretton Woods institutions, founded some 60 years previously, should consolidate and reform not on the basis of their original mandates, but through networks focusing on twenty-first century global issues such as the MDGs, taxation, financial regulation and global security. There was already considerable consensus on those issues, which could provide a basis for the long path towards the substantial, rather than small-scale or incremental, reform that would be needed in order to provide “good growth” for all.

67. **Ms. Price** (NGO Committee on Financing for Development, accredited through the Company of the Daughters of Charity of St. Vincent de Paul) said that the current financial and economic circumstances had made it impossible for many, particularly in the developing world, to realize the shared aspiration of all people: to provide their families with a safe environment and with food, shelter and education. Many considered economic growth to be an essential component of the solution, but growth could not be beneficial without a strong employment component and social and environmental goals.

68. The austerity measures promoted as a financial and economic remedy by politicians in some countries were, in fact, likely to worsen unemployment and social problems, shrink social safety nets and decrease the consumer spending that was the major driver of the economy. The most vulnerable members of society would be affected by lower benefits and public services, cutbacks in education and development projects and higher taxes.

69. A strong national economy with policies focusing on job creation and adequate social protection for workers and their families could contribute significantly to the health of local and regional economies, and strong local economies contributed to the moral, social and economic wellbeing of citizens. Special attention must be devoted to small businesses, which created most job and income opportunities.

70. Entrepreneurs had a long-term stake in their local environment and economy, but they required an enabling business environment, access to finance and a suitable legal and regulatory framework. Governments should increase the availability of public, private and foreign direct investment for entrepreneurship, education and improvement of skills. Small, locally owned community banks helped to create jobs by

providing loans for small businesses and farmers and thus built economies from the grassroots using existing assets to provide sustainable livelihoods. In turn, national banks could expand the lending capacity of community banks and contribute to local economies by supporting small businesses, cooperatives and microfinancing.

71. Local governments should strengthen their economies and tax base by purchasing locally since local jobs led to local demand. At the same time, investment in job creation must be supported by good policies in order to direct local tax revenue to education and work-readiness programmes for youth, the development of clean energy and the maintenance and repair of infrastructure. Supporting entrepreneurs and their small and medium-sized enterprises through collaboration and committed investment by multiple partners in local communities not only created jobs; it also contributed to sustainable growth and development.

72. **Ms. Paramundayil** (Society of Catholic Medical Missionaries) said that the multiple global crises and the growing gap between rich and poor raised serious questions about the current socioeconomic system, in which 1 billion people were struggling with hunger and unemployment; a social protection floor was necessary but was not, in itself, a sufficient solution.

73. What was required was “economic morality” in building sustainable communities that gave every individual the right to a decent and humane life. Development meant having the power to use human and natural resources for the well-being of society and humanity. Cooperatives, whose primary motive was service to the community rather than profit and whose purpose was to find a shared solution to a shared problem, were a powerful instrument for people-centred economic empowerment and social transformation. The principles of cooperative action, laid down in England by the Rochdale co-operators, the original cooperative organization, were voluntary and open membership, an equal voice for all members, equitable economic participation, solidarity, self-help and mutual help.

74. For example, a member of her own organization, the Society of Catholic Medical Missionaries, had freed tribal farmers in north-eastern India from the grip of moneylenders and middlemen by establishing a cooperative that purchased their produce and sold needed goods to them at fairer prices, dividing the profits among the members. The cooperative model would enable inclusive, equitable and sustainable economic growth for a healthy global society. Governments and financial institutions should therefore provide budget allocations for the formation of new cooperatives and the improvement of existing ones.

75. **Mr. Sundaram** (Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs) said that before replying to specific comments by the participants, he wished to make two general comments. First, the world was living through an extraordinary period that had been preceded by a number of similar experiences. The Great Depression had defined the 1930s; it had generated important social and political developments, including the New Deal, in the run-up to the Second World War and had shaped the post-war social contract. In 1944, the Declaration of Philadelphia had restated the traditional objectives of ILO and voiced the view that lasting peace depended on social justice. In the same year, the United Nations Monetary and Financial Conference, held at Bretton Woods, had focused not just on monetary and financial stability, but also on the conditions required for post-war economic growth; reconstruction; social, economic and political stability; and post-colonial development.

76. Second, the current situation was characterized by what could only be described as financial excess. The United Nations system had warned of the consequent risk in publications such as the *World Economic Situation and Prospects and the Trade and Development Report*; other warning signs had been pointed out by the Bank for International Settlements. The availability of cheap credit had increased after 2001, particularly in the United States of America, and the resulting over-investment in many sectors had made the private sector reluctant to expand capacity except in very new fields. He therefore advocated a leadership function for Governments, not by taking over the role of the private sector but by providing enabling investment to revive private-sector investment. The same logic had led to the view, expressed in the 2009 World Economic and Social Survey, that the significant challenge of climate change should be addressed through an investment-led approach because market forces alone could not be left to solve the problem.

77. Investment must be induced in areas of tangible need that were not reflected in the market. The first obvious example was renewable energy, which was required because global warming had its origin in the burning of fossil fuels and which was capable of creating three to five times as many jobs as fossil fuel energy generation. In recognition of the difficulty of leaving such investment to market forces, interesting initiatives had been undertaken, particularly in Europe. They included feed-in tariff arrangements in which distributors purchased energy at differing prices and sold to the consumer at a single price, enabling Governments to discourage fossil fuel energy generation and encourage renewable energy generation. That approach had permitted a shift in production while remaining investor- and business-friendly.

78. The second obvious example was a renewed food production initiative, foreshadowed in the 1960s and 1970s by a green revolution that had been driven by Government-financed research and extension services but had been limited to three crops — rice, wheat and maize — that were rare in sub-Saharan Africa and other areas in which dryland agriculture dominated. A strong international and public effort should therefore complement private initiatives in order to address the food crisis by boosting production; the only alternative was to allow food prices to rise, exacerbating hunger and malnutrition.

79. Turning to the comments made by the representative of the Comoros, he said that some 10 years previously, the First Deputy Managing Director of IMF, Anne Krueger, had proposed a sovereign debt restructuring mechanism. The international community had overreacted to the flaws of that proposal and rejected it rather than seeking to improve on it. That debate should be rekindled, despite the difficulty of developing broadly accepted new rules at a time of numerous and simultaneous debt crises.

80. The relationship between financial sector development and the real economy, commented on by the Executive Director of the World Bank for Austria, Belarus, Belgium, the Czech Republic, Hungary, Kosovo, Luxembourg, the Slovak Republic, Slovenia and Turkey, deserved extensive consideration. Much recent financial sector activity had not been productive; while many leading economic theorists considered that sector to be a major driver of investment, growth and development, it could also be a source of risk. Many were calling for the financial industry to return to a focus on basic banking.

81. Taxation, an issue raised by a number of participants, was a field in which the United Nations should play a greater role as the need to improve tax revenue had become pressing not only in developing countries and transitional economies, but also in developed countries. Sustainable development would be impossible unless that problem was addressed.

82. The role of industrial policy, referred to by the World Bank's Alternate Executive Director for Japan, was supported and promoted by the United Nations system, particularly through the activities of the United Nations Industrial Development Organization (UNIDO). The difficulty of reconciling the interests of the State, the business community and employees, mentioned by the representative of the Russian Federation, was at the heart of the ILO with its unique tripartite structure.

83. The prospect of establishing a bilateral and multilateral international surveillance system in order to prevent future crises, mentioned by the representative of Nigeria, had been discussed in 2009 but deserved to be revived. In that context, the relationship between the United Nations and the Bretton Woods institutions was vital; in particular, the internal, often self-critical, debate within IMF had yielded promising results.

84. **Mr. Priyadarshi** (Director, Trade and Development Division, World Trade Organization), replying to the Executive Director of the World Bank for Austria, Belarus, Belgium, the Czech Republic, Hungary, Kosovo, Luxembourg, the Slovak Republic, Slovenia and Turkey regarding the advisability of an individualized approach to trade liberalization, said that there could be no argument against the conclusion that not all countries could assume the same level of commitments. At present, however, WTO recognized only three groups of countries — developed, developing and least developed — and, even within those groups, there was immense variety. A balance must be found between a body of commitments that were universal and another body of obligations to which temporary exemptions could apply.

85. Echoing the comments made by the representative of Bangladesh on the ability of trade policies to distort the market, he said that the Doha Round of multilateral trade negotiations was seeking to

address issues such as agricultural subsidies. He recognized that for some exporting countries, duty- and quota-free access might benefit 99 per cent of tariff headings, but not the vital 1 per cent on which their economies depended.

86. With regard to further development of the system for monitoring protectionism, mentioned by the representative of Belarus, he said that many existing WTO binding tariff rules restricted protectionist practices. States could not simply increase tariffs as they saw fit, but loopholes remained and must be addressed, either through the Doha Round or as part of a separate effort.

87. In reply to the Observer for the European Union, on the issue of balancing trade-related rights and commitments, he said that while the Doha Round had been launched as a development-focused exercise, the intervening decade had brought many changes: the developed countries had faced fiscal, employment and industrial growth problems while many developing economies had experienced strong and sustained growth. The lack of agreement on the balance of trade-related rights and commitments was therefore no surprise.

88. WTO had placed great emphasis on the issue of African trade, raised by the representative of Nigeria, and considered it an essential component of regional integration.

89. Addressing the remarks made by the representative of PwC, he said that while WTO focused on discussion among its Member States, it trusted that Governments would consult the private sector when setting trade policy. The Aid for Trade initiative, coordinated by WTO, specifically called for involvement with the private sector.

90. **Mr. Vos** (Director, Development Policy and Analysis Division, Department of Economic and Social Affairs) said that the risks attached to the continuing financial fragility and ongoing debt problems mentioned by the Executive Director of the World Bank for Austria, Belarus, Belgium, the Czech Republic, Hungary, Kosovo, Luxembourg, the Slovak Republic, Slovenia and Turkey had a clear connection to the jobs crisis. Some efforts had been made, notably by the European Central Bank, to provide stability by injecting liquidity and reducing interbank borrowing costs. However, as much of that liquidity was being returned to the European Central Bank itself, demand was stagnating and the financial measures taken might be unable to stimulate economic activity without progress in job creation. The many questions concerning premature fiscal austerity showed that the methods used were as important as the concept; care should be taken to maximize multiplier effects from fiscal stimulus. Positive effects could also be expected if spending was reallocated judiciously or inefficient spending was corrected. The main uncertainty was the length of time that would be required before the stimulus measures bore fruit.

91. Current high unemployment rates worldwide limited the usefulness of debate on the calculation of optimum non-inflationary unemployment levels, an issue raised by the representative of Bangladesh. Moreover, while that rate was frequently debated in the United States of America, it was less of a concern elsewhere. It was important to examine the situation underlying the aggregate employment rate and to consider ways to ensure economic diversification and make growth more inclusive and equitable. There were many contradictions: while Latin America’s large informal sector seemed to increase inequality, its education, social transfer and other social policies had the opposite effect. In another sign of inequality, wage gaps between skilled and unskilled workers had risen during the 1990s, largely as a result of more open trade and the introduction of technologies that required workers with new skills.

92. The representative of PwC had made a valid observation about the tremendous variety of the private sector. The role of Governments should be to stimulate “good growth” through infrastructure, support for agricultural development, and technology and innovation policy. One consideration was the cost of access to information technology, which must be evaluated as a proportion of income in each country.

93. With regard to taxation, tax coordination and the connection with ODA, the United Nations was examining a number of new sources of financing for development. Tax harmonization could increase revenue for developing countries, but the extent to which that was possible would vary from country to country and would doubtless leave gaps to be filled by ODA.

The meeting rose at 1.05 p.m.